



TOWN OF UXBRIDGE
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Jill R. Myers
Town Manager

MEMORANDUM

TO: Honorable Chairman and Members of the Finance Committee
Honorable Board of Selectmen
Citizens of the Town of Uxbridge

FROM: Jill R. Myers, Town Manager

DATE: April 17, 2007

SUBJECT: Updated Budget Message: Town Manager Final Recommendation on FY2008 Operating Budget – July 1, 2007 through June 30, 2008
(Replaces preliminary version dated 3/9/07)

I respectfully present you with a summary of the final version of the Town Manager recommended FY2008 Town Operating Budget which updates and replaces the preliminary version dated March 9, 2007, which was submitted in accordance with Massachusetts General Laws and the Uxbridge Town Charter, Article 6, Subsection 6D, for consideration at the Spring Annual Town Meeting (SATM) under Article 5, Town Budget. Attached you will find four (4) Excel spreadsheets: FY2008 Revenue Projections, FY2008 Enterprise Funds and Cable Access Budgets (voted at the SATM as separate articles 7-10), the FY2008 Operating Budget, and Debt Schedule.

As you are aware, FY2008 budget discussions have been ongoing since the budget preview on September 30th where revenue, operational, and capital expenditure forecasts were discussed and challenges noted for FY2008 and beyond. Discussion of 9/30 continued in subsequent meetings with Chairmen from the Board of Selectmen (BOS), School Committee, Finance Committee, School Superintendent and Business Manager as recent as 4/17, as well as meetings with Department Heads. On January 31st, the Capital Committee presented their recommendations and plan, and joint meetings were held with the Finance Committee (2/20 and 2/28) to discuss both the capital needs and anticipated operational deficit for FY2008 resulting in challenges for not funding needed capital items that have been placed on hold since FY2003. The BOS were consulted on the proposed budget throughout the process, recently at a special meeting on March 5th where this was the sole topic, and on April 9th with discussions on core services delivery and needs of the community.

I have worked to solicit input from community leaders and Department Heads to seek ways to optimize revenue and reduce the rate of growth to expenditures. It becomes a matter of priorities for the community and what the community envisions: what core and ancillary services are priorities and what is a reasonable and appropriate cost to pay for desired Town services? I hope, through the budget hearing process, to continue to hear from the citizenry, as no solution will endure without input and consensus of a plan.

The FY2008 budget assumes that the Town will receive a 1.37% or \$159,048.00 additional State (local) aid than it did for FY2007, based upon the Governor's budget submission on February 28, 2007. The House version of the budget (April 11, 2007) increases State aid by a scant \$1,655.00 over the Governor's figures, so I have elected not to amend this projection until final local aid is known. From FY2002 to FY2007, State aid has declined on a percentage basis from 40% of the total budget revenues in FY2003 to 35% of the budget in FY2007. As a result, we have seen a trend that the Town through this period has continually funded the budget through *one-time* revenue sources, i.e. transfers from Stabilization and "free cash". Additionally, Overlay Surplus, considered to be a one-time revenue source, has been used to balance the budget in all years from FY2004 through FY2008.

In preparation for the FY2008 budget, all Town operations were examined in order to identify potential savings, reductions, and greater efficiencies.

At this time, the FY2008 budget that will be presented at Town Meeting on May 8, 2007 anticipates the following:

Total revenue	\$33,518,758.00
Total budget and non-budget warrant articles	<u>\$35,141,668.00</u>
Total shortfall	(\$ 1,622,910.00)

The original budget submission from March 9, 2007, showed a budget deficit of \$1,930,891.00. There have been adjustments made to the FY2008 budget on both the revenue and expense portions of the budget, which have combined to narrow the deficit by \$307,981.00. The following tables detail the adjustments:

FY 2008 GENERAL FUND REVENUE - ADJUSTMENTS

CATEGORY	ORIGINAL	FINAL	DIFFERENCE	REASON
School Land Debt Exclusion	30,750.00	40,750.00	10,000.00	Updated borrowing schedule
Misc. Recurring Receipts	1,123,709.00	1,138,709.00	15,000.00	Additional receipt (school utilities)
Misc. Non-recurring Receipts	110,427.00	105,274.00	(-5,153.00)	Recalculation of Taft park employee benefit from Trust
Total Adjustments			19,847.00	
Total Revenue Available	33,498,911.00	33,518,758.00	19,847.00	

FY2008 GENERAL FUND EXPENDITURES- ADJUSTMENTS

DEPT BUDGET	ORIGINAL	FINAL	DIFFERENCE	REASON
Sel./Town Mgr. Salaries	186,759.00	186,823.00	64.00	Formula error
Sel./Town Mgr. Expenses	32,000.00	35,673.00	3,673.00	M.O.R.E. membership assessment
Town Acct. Salaries	91,924.00	99,830.00	7,906.00	Salary difference for new Town Accountant (4/10/07)
Town Acct. Expenses	45,740.00	45,340.00	(-400.00)	Expense reduction

Planning Board Salaries	87,897.00	88,426.00	529.00	Staff overtime for meetings omitted
Zoning Board Salaries	500.00	1,029.00	529.00	Staff overtime for meetings omitted
Light U.S. Flag	800.00	1,200.00	400.00	Increase in utility costs
School Dept.	18,546,837.00	18,034,969.00	(-511,868.00) ¹	See notation
DPW Admin.	126,000.00	131,500.00	5,500.00	Anticipated shortfall in the fuel line item
Highway Expenses	188,850.00	191,850.00	3,000.00	Anticipated shortfall in electricity budget
Stormwater Phase II	5,000.00	0	(-5,000.00)	Funds appropriated in FY2007 cover FY2008
Veteran's Expenses	18,700.00	21,700.00	3,000.00	Increased expense in new location
Veteran's Benefits	29,000.00	37,000.00	8,000.00	Budget has been perennially under funded
Debt	2,766,689.00	2,793,449.00	26,760.00	New debt projects scheduled, previously approved
Health Insurance	3,635,867.00	3,704,560.00	68,693.00	Projected increase based on additional data since 3/9
Unemployment	0	15,000.00	15,000.00	Budget restored
Medicaid Clerical	0	30,000.00	30,000.00	Item previously in School budget, collects over \$100,000.00 annually
Total Budget Adjustments			(-344,214.00)	
Budget	35,241,302.00	34,897,088.00	(-344,214.00)	
Warrant Articles	188,500.00	244,580.00	56,080.00	Mosquito abatement
Total Budget Adjustments & Warrant Art.			(-288,134.00)	
Total Expenditures	35,429,802.00	35,141,668.00	(-288,134.00)	
Total New Revenue + Total Reduced Expenditures			(-307,981.00)	

¹ On February 13, 2007, the School Committee voted its budget submission to the Town Manager and endorsed a budget request of \$19,324,460.00. The recommendation was an increase of \$2,208,290.00 or 12.90% over the FY2007 budget. The figure of \$18,546,837.00 used in the original Town Manager's FY2008 budget recommendation represented a reduction of \$777,623.00 from the original budget request of \$19,324,460.00. This figure was a Town Manager recommendation and presented in the March 9, 2007 budget message. On March 20, 2007, the School Committee further reduced its budget request to \$18,034,969.00, which represents an overall reduction of \$1,289,491.00, amounting to a 5.37% increase over the FY2007 budget request. The difference of \$511,868.00 noted above represents the difference between the original Town Manager's recommended budget and the revised School Committee's submission: not the difference between original School Committee budget submissions and final recommendations.

Total Budget Difference	1,930,891.00	1,622,910.00	(-307,981.00)	
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There are also amendments to the enterprise budget requests but they are not discussed in this document as they are not supported via taxation and will be noted in the motions for their articles.

The Town is facing significant potential fiscal challenges in the future, including:

- Consistent increases in fixed costs, with level increases in new revenue beyond one time receipts.
- The funding of a new high school, potentially as early as FY2010.
- The implementation of a capital improvement plan, currently in excess of \$24 million through FY2012.
- The potential restoration of the Virginia Blanchard building.

The decisions made regarding the FY2008 budget will have a significant impact on budgets for FY2009 and FY2010. This is important to acknowledge and a long term strategy must be approved or we will follow the heels of other communities who have forecasted too aggressively for revenues that did not come in or perpetuate structural deficits.

REVENUE SUMMARY

- The property tax levy of \$16,663,895.00 is increased by the statutory limits as set by Proposition 2½ to \$416,597.00.
- FY2008 New Growth is forecasted to be \$435,000.00 (a decrease from FY2007).
- Debt exclusions representing the 1996 school renovation project, the Route 16/146 water/sewer project, and the 2004 water project dropped by \$3,624.00. The total debt exclusion amount rose by \$37,126.00 due to the projected interest payment to be made on debt for the land on Quaker Highway that is being purchased to site the new high school. A temporary note for the purchase was issued in April, 2007, with the intent of obtaining permanent financing in the Fall of 2007. There is no exclusion this year for the Blackstone Valley Vocational Technical School debt as that assessment will be paid from a fund that was established with proceeds from the refinancing of the school's debt last year. The BVT debt assessment will be included in the exclusions through FY2009 as the proceeds from that fund will be exhausted by then.
- State aid is increased by 1.37% or \$159,048.00 for FY2008. (Please note that this number reflects a slight change from the presentation given to the Board of Selectmen and the Finance Committee. There was a transposition on the original cherry sheet posted by the Commonwealth on 2/28, resulting in a net gain for the Town of \$1,890.00.) This increase is based on the Governor's initial budget, House 1. Chapter 70 increased by only \$104,150.00, largely due to the Town's school enrollment numbers. The assessments remain a concern, with our largest group of assessments (School Choice and Charter School Spending, and Special Education) totaling \$1,309,917.00. This figure represents a drop of \$53,098.00 from FY2007, but is still having a major effect on the financial stability of the Town, as this amount counts as a negative receipt against the community on the whole as opposed to reduction in State aid to the schools.
- Local revenues (receipts) are forecasted at \$3,820,467.00, an increase over the FY2007 estimate of \$391,237.00. The forecast assumes a new receipt of \$125,000.00 in Medicare reimbursements, a \$100,000.00 increase in motor vehicle excise, a \$50,000.00 increase in interest income, and \$34,700.00 in animal control receipts from Douglas and Millville due to a new regional animal control program. There are also other increases in enterprise fund debt charges and revolving fund health and retirement benefits that are offset by increases in the general fund debt, health insurance and retirement budget line items.

- Overlay reserve for abatements and exceptions for FY2008 has been reduced to \$150,000.00. In the past, the Town has funded from \$225,000.00 - \$410,000.00 for this budget. Additionally, the snow and ice deficit account is forecasted to remain unchanged at \$100,000.00.
- Transfers to supplement the FY2008 budget from Excess Overlay are funded at \$250,000.00. The Town has used this resource to balance the budget on an annual basis since FY2004. Under funding the FY2008 Overlay (see above) will result in having less reserve available for usage in future years. The FY2008 budget is also funded by transfer of \$20,000.00 from the Wetlands Protection Fund.

Total revenue increases from the forecast of \$32,981,438.59 in FY2007 to \$33,518,758.00 in FY2008. This represents only an increase of \$569,319.41 or 1.72%.

EXPENDITURE SUMMARY

The final version of the FY2007 operating budget, starting with the base budget raised at the SATM, and updated with all financial activity from the June 20th, November 21st, and January 9th Town meetings, stands at \$32,949,438.59. FY2008 budget discussions began on September 30, 2006. General government departments were issued FY2008 budget planning sheets in November, 2006, with requests for level funding and any deviation notations were provided to note needs to maintain level services or mandates. The initial budget requests, submitted by all departments (municipal and school), amounted to \$37,024,591.00, a 13.28% increase² over FY2007 (current year).

The Town Manager recommended budget has trimmed the omnibus budget increase to \$2,947,649.41, a 5.91% increase over FY 2007. Please note that this increase is for the general fund budget, including schools, but excluding enterprise and revolving funds. There are non-budget warrant articles requiring an additional appropriation of \$244,580.00 as of this writing. What has made planning for this budget year so challenging is the fact that certain fixed cost line items are increasing at a far greater rate than our revenue streams. Fixed costs include utilities, certain educational assessments, health and property insurances, and retirement funding. These increases, coupled with our desire to maintain funds in our Stabilization account, has put the Town in a crossroad to a precarious financial position.

The current recommendation, even with a \$1.6 million deficit, does not fully reflect a level service budget. For general government, pavement management programs have been eliminated, staffing levels have seen no increases, and vacant positions have been left unfilled. There are no small capital expenditures within the budget, save the purchase of one police cruiser, and no large capital items.

Please be advised that the FY2008 Town Manager requested budget funds all municipal government union contracts (see below) within the budget with the exception of the Police contract, which is pending, and will be presented in a separate warrant article if agreement is reached by Town Meeting. General salary increases at 2% for most non-union Department Heads were not included in the Department budget request: they were added in the Town Manager requested budget line. The explanation is noted in the last bulleted paragraph below.

Listed below are the expenditure activities of note:

- The FY2008 General Government Budget (which represents all operating departments with exception of the School Department, School Transportation, the Regional School, and Unclassified accounts)

² This figure has been raised by \$72,000.00 over the presentations made to the Selectmen and Finance Committee due to the inclusion of small capital requests made by Recreation that were contained in the capital plan.

has been increased by \$79,621.00 to \$5,704,624.00 or 1.42% compared to last year. This is a combined change for operating costs, utilities, and projected labor cost increases.

- Municipal energy costs are projected to increase by \$49,835.00.³ When subtracted from the overall municipal increase of \$79,621.00, the net municipal budget increase (minus utilities) is \$29,786.00 compared to last year. Other municipal budgets did increase, but they were offset by the deletion of a \$73,000.00 DPW expense line for road maintenance.
- The School Department Budget (excluding the lease for Good Sheppard, School Transportation, and the Blackstone Valley Vocational Technical School assessment) has been increased by \$920,132.00 to \$18,034,969.00 or 5.37% compared to last year. The FY2008 budget request by the School Committee was for \$19,324,460.00, a 12.90% increase over last year. The final budget, as put forth by the School Committee, represents a reduction of \$1,289,491.00 from the original request.
- The total unclassified and fixed cost budgets have grown by \$947,896.00 or 9.28%. They are comprised of the unclassified, regional school assessment, and transportation budgets. They are grouped together in this presentation because they do not, on the whole, represent budget lines that are funded on a discretionary basis. The unclassified lines fund debt, Town and school health and property insurance, and workers compensation. The regional school assessment is based on an affirmative vote of seven of thirteen participating communities. While the Town should give careful review of the assessment, the vote of the majority of towns will prevail. The school bus transportation line item is strictly contractual. The regional school assessment and school bus transportation line items remain in the educational portion of the budget so that the true cost of education can be displayed (less some of the benefit costs), but they belong within fixed costs for the purpose of this budget message.
- Debt service is projected to rise by \$121,241.00 or 4.54%, based on borrowing increases of \$180,510.00 in first year interest costs for the new water tank, the lime silo, Taft School roof, the DPW sidewalk tractor and the school land, less the reduction of previous debt of \$59,269.00. The school land and the lime silo have already been approved at Town Meeting. There is a warrant article at the Spring Town Meeting requesting authorization to borrow \$5,000,000.00 for a new water tank. The anticipated debt service several of these new borrowings are shown as receipts on the revenue sheet as they are paid for either by the enterprise funds or via debt exclusion.
- The Worcester Retirement assessment will increase from \$832,379.00 to \$902,372.00, an increase of \$69,993.00 or 8.41% as required by PERAC, the state agency that regulates the municipal employee retirement funding schedule.
- The health insurance budget, which serves both Town and school employees, is projected to rise from \$3,285,625.00 to \$3,704,560.00, an increase of \$418,935.00 or 12.75%. We solicited quotations from all providers. Some progress has been made through ongoing discussions concerning plan modifications that I have had with the Insurance Advisory Committee (IAC) looking at a comprehensive cost savings plan, including review of co-pays, currently at \$5 for regular office visits. Any changes will have to be implemented through the collective bargaining process, so the final result is not depicted at this time. The Town contribution is 80% for active employees and retirees, with employees/retirees paying 20% of the annual premium.
- The retiree sick leave buy back line is being increased by \$30,000.00 due to three anticipated retirements in the Department of Public Works.
- The worker's compensation and property and casualty lines are increased by \$40,000.00 in FY2008 due to increased premium costs. This covers both school and Town operations. We are in the process of bidding these policies for FY2008. Such action has not been done in the last three years.

³ In October 2006, the Town ended a three year locked agreement for electricity, minus the transmission costs. A new agreement was entered with Mun-energy a consortium of MA Towns.

- The School/Town Building Maintenance account, which was funded by a \$200,000.00 override in FY2005, is fully funded as a separate line item. After some stagnation prior to my tenure, I have asked staff, lead by the DPW Superintendent and Assistant Superintendent, to formalize the request process, coordinate project evaluation and implementation of projects requested by Town and school departments. They have greatly accomplished that and documentation is available.
- The operational assessment for the Blackstone Valley Vocational Regional School District has increased from \$1,482,847.00 to \$1,696,696.00, an increase of \$213,849.00 or 14.42% over FY2007.
- Collective bargaining salary increases for the municipal side for FY2008:
 - AFSCME (DPW – Highway, Water, Sewer, Parks): 2%
 - Fire: 2.5%
 - SEIU (Town Hall clerical and custodial and Dispatchers): 2%
 - MCOPS (Police): Pending
- In FY2007, most Town Department Heads and non-contractual employees received salary increases, based on the compensation study (Classification and Compensation of Management Employees by Stone Consulting) approved in 2005, and finalized in October 2005, relating to baseline salary adjustments to a determined market value. As such, no cost of living increase was awarded in FY2007, even to those employees who exceeded the market rate. No cost of living increases were provided in FY2006, and some received a cost of living increase in FY2005. For FY2008, salary cost of living increases of 2% are allocated, with the exception of one position that was not fully implemented/funded in FY2007 per the guidelines of the compensation plan as it was a new hire.

Municipal salaries show a total increase of \$113,540 over FY 2007, a percentage increase of 2.99%. A position that was transferred from the school budget to the unclassified account for the FY 2008 budget adds \$30,000 to total municipal salaries. \$9,000 has been moved from the FY 2008 Elections expense line item to the FY 2008 Election salaries line item. If these two items are removed from the total municipal salaries, the increase would be \$75,540, or 1.96%.

CAPITAL IMPROVEMENT

The FY2008 General Fund budget has a total of \$27,000.00 allocated for capital spending for one police car. It is important to note that the Capital Committee has received requests from departments totaling \$24,664,035.00 through FY2012. The committee voted, in a separate report filed on January 31, 2007, (please visit the Town's website – www.uxbridge-ma.gov) to recommend \$3,680,000.00 in capital spending for FY2008 alone.

Included in this recommendation are:

- \$710,000.00 for three fire apparatus
- \$1,000,000.00 for a replacement of Fire Station #2
- \$200,000.00 for an elevator for Town Hall
- \$60,000.00 for a Master Plan
- \$60,000.00 for a new van for the Council on Aging
- \$335,000.00 for four new Public Works vehicles
- \$260,000.00 for a new salt shed
- \$640,000.00 for road and bridge repairs
- \$60,000.00 for a new school dump truck
- \$355,000.00 for school building improvements

There are also small capital requests (items under \$50,000.00) totaling \$459,000.00 that are also not funded in the FY2008 budget at this time and we will look to Fall to make a recommendation.

At present, the Finance Committee, in concert with the Capital Committee, is requesting authorization to spend up to \$120,000.00 from Stabilization on a Master Plan. We will be seeking a grant to partially or fully fund the plan. We plan to seek grant funding in FY2008 to fund an elevator, as well as for any other recommended project that may be eligible for funding. However, I do not recommend funding other projects at this time, not because they are unworthy, but due to funding constraints. Earlier in the budget process, I noted to the Board of Selectmen and the Finance Committee that I was considering requesting an override of \$370,000.00 for road maintenance and bridge repair.

Road expenditures have been steadily reduced over the years to the point where they have been eliminated from this year's budget. The DPW Superintendent has been requesting funds for bridge restoration without success since 1985. I believe that it is absolutely necessary to establish a program, exclusive of the budget, to fund the maintenance of the Town's infrastructure in order to encourage economic growth and to enhance the quality of life for our citizens.

However, after careful consideration, I have decided not to seek a Spring override at this time. We have requested that the Capital Committee look at all projects that have been put before them in order to determine the Town's most pressing capital needs for the next three (3) years and a funding mechanism beginning in FY2008 through FY2010. We expect the process to be completed over the summer, with the goal of including the road and bridge maintenance and repair funding with other pressing capital items for consideration in the Fall.

COST CONTAINMENT: FY2008 BUDGET

Again, the initial FY2008 Department budget requests, submitted by all departments (municipal and school), amounted to \$37,024,591.00, a 13.28% increase over FY2007. The Town Manager recommended budget has trimmed the omnibus budget increase to \$2,947,649.41, a 5.91% increase over FY 2007 for essentially a level service or "cost containment" budget. Examples of cost containment areas are listed below. Many departments have presented details at the Finance Committee budget hearings:

DEPARTMENT	IMPACT OF PROPOSED BUDGET
Highway	Requested - \$197,850.00/Recommended - \$191,850.00: Reduction of services regarding catch basin cleaning, storm water management, roadside mowing, fog line painting, frame and grate rehab.
Highway – Road Maintenance	Requested - \$240,000.00/Recommended - \$0.00 (override to be recommended in conjuncture with other capital needs): Approximately \$600,000.00 to \$700,000.00 per year is needed each year to maintain our highway infrastructure. Chapter 90 funds represent 46% of the need. The Town's share is 54% or \$350,000.00. In past years, the account funded preventative maintenance projects not covered under Chapter 90. The elimination or lack of funding to this account will be detrimental to the condition of our infrastructure over both the short and long-term.
Parks	Requested - \$65,365.00/Recommended - \$61,265.00: Reductions in the proposed budget will result in at least one less application of fertilizer/pesticide/herbicide for all fields, causing for the deterioration of the fields, accelerating the need for complete field replacement.
Highway Equipment Replacement	Requested: \$419,000.00/Recommended - \$0.00: With the equipment replacement program not being funded, the Town faces greater expense in the long-term, repairing obsolete equipment that should be replaced.
Police	Salaries: Requested - \$1,445,961.00/ Recommended - \$1,404,843.00: The

	<p>requested new patrolman position (commencing Jan 1, 2008) is eliminated despite the fact that service calls are up over 17% over FY2006. Overtime has been trimmed from \$70,000.00 to \$50,000.00, leaving less flexibility during vacations and times of crisis.</p> <p>Expenses: Requested - \$134,801.00/Recommended - \$126,001.00: Decrease in the requested computer line item leaves the department with less efficient computers that must be swapped from car to car.</p> <p>Capital Outlay: Requested - \$81,000.00/Recommended - \$27,000.00: Decrease from three cruisers to one leaves older, higher mileage vehicles on the road as first responders.</p>
Fire	<p>Salaries: Requested - \$520,326.00/Recommended - \$453,812.00: The department's request for the new position of fire prevention inspector has been eliminated, requiring existing staff to cope with an increased administrative and inspectional workload. This is a potential revenue generating position.</p> <p>Supplies & Expenses: Requested - \$79,275.00/Recommended - \$71,275.00: Level funding of this line item will require the department to cut back on its overall purchasing for FY 2008. This is compounded by the increase expense of repairing old trucks and equipment as there is no capital funding recommended for fire vehicle or equipment replacement.</p> <p>Capital Outlay: Requested - \$110,000.00/Recommended - \$0.00: The funds requested in this budget where to be used for cleaning and drying protective equipment worn by personnel, and for fire hose, completing the installation of the vehicle exhaust system at Station 3, and reconstructing the parking lot at Headquarters.</p>
Assessor	<p>Salaries: A personnel upgrade request was not included.</p> <p>Supplies & Expenses: Requested - \$14,100.00/Recommended - \$13,550.00: Decreases in operating budget will impact operations, but are manageable if they are not sustained into future years.</p>
Treasurer/Collector	<p>Salaries: A personnel upgrade for a staff member was not included.</p> <p>Supplies and Expenses: Requested - \$66,040.00/Recommended - \$60,229.00: Decreases in this operating budget are acceptable for FY2008. Department's service delivery is currently being evaluated.</p>
Town Clerk	<p>Salaries: Requested - \$97,190.00/Recommended - \$83,047.00: A part-time staff position added in FY2007 has been eliminated.</p>
Planning Board	<p>Salaries: Requested - \$92,133.00/Recommended - \$88,426.00: A personnel upgrade request was not included as well as a request for an additional Assistant.</p>
Building Department	<p>Supplies and Expenses: Increased by \$10,000.00 over FY2007 in order to fund fill in services to cover peak and vacation fill in. Funds a flat per inspection rate for inspectors from other Towns in order to avoid expanding staffing. This is a potential revenue generating position.</p>
Animal Control	<p>FY2007 Total Budget - \$19,400.00/Recommended FY 2008 Budget - \$41,797.00: The overall increase of \$22,397.00 is tempered by anticipated new revenue of \$34,700.00 from Douglas and Mendon for shared services = a cost savings to the Town.</p>
Council on Aging	<p>Salaries: Requested - \$105,134.00/Recommended - \$83,999.00: A request to upgrade a position and make it full time was not included. An additional</p>

	part-time position has not been funded. This action will continue to stress a department that is already feeling the affects of growing demands for services.
Recreation	Capital Budget: Requested - \$72,000.00/Recommended - \$0.00: A number of worthy capital projects had to be omitted in crafting the FY2008 Budget, including Taft Dugout construction, Sutton Street parking expansion, and field expansion and rehabilitation.
Library	Salaries: Requested - \$234,651.00/Recommended - \$231,128.00: A part-time library page position was not funded. Increases in the library budget were given to offset utility and maintenance costs. The requested budget for books and periodicals, the core of the library's mission, was cut by \$11,000.00 but maintains eligibility for State grants.

FY 2008 BUDGET STRATEGY

Upon careful and deliberate consideration of all options, and as of the date of this writing (4/17/07), I am recommending that the FY2008 budget be presented unbalanced at the SATM – as detailed in option 4 below. Therefore, I am recommending that the Finance Committee recommend a favorable vote to support a FY2008 operating budget of \$34,897,088.00 as summed on line 77 of the revenue sheet and line 265 of the budget attachment plus the preponderance of the non-budgetary warrant articles. I am not normally a proponent of an unbalanced budget, but circumstances this year suggest that it is the most prudent course of action as further review and financial planning for the next three years needs to be discussed, and a strategy to discontinue using non-reoccurring revenues is established. The budget may remain unbalanced until the tax rate is set in the Fall as allowed by Massachusetts General Law, and has been done occasionally in the past.

If the budget and all warrant articles are passed, we expect a budget deficit of \$1,622,910.00. There are only limited options available to close that gap, not in a particular ranking order:

1. REDUCE THE BUDGET: We can reduce the budget to meet expenses, but at an impact to core services. I ran a scenario to see the cuts that would be required in order to balance the budget. The stipulations of the exercise allowed for the restrained use of stabilization, with no department closures and no adjustment to receipts. I was able to “balance” the attached budget by performing the following cuts. Although not a formal recommendation and absent department input at this time, the following are likely impact to services:

Scenario:

General Government: (\$588,330.00)

- Town Hall: 3 part-time positions, including janitorial
- Fire Department: 3 full-time positions
- Police Department: 4 full-time positions, all part-time staff, one cruiser
- Highway: 3 full-time employees
- Council on Aging: contracted janitorial services, 1 full-time driver
- Library: 3 full-time, 2 part-time employees
- Building Dept: all part-time coverage

School Dept: (\$355,000.00)– effect on staffing levels/services

Warrant Articles: Master Plan (\$120,000), Mosquito Control (\$56,080), Recycling (\$3,500)=: \$179,580

Despite cutting \$943,330.00 from the operating budget and \$179,580 from the warrant articles, I still had to use \$500,000 from Stabilization in order to balance the budget. *We believe any attempt to reduce the budget by cuts of this magnitude will inevitably lead to a motion and a vote to restore the budget via a transfer from Stabilization.* Again, if this option is implemented, I would provide budget reduction figures to Departments and ask them to recommend the areas/service reductions.

2. FUND THE BUDGET VIA STABILIZATION: There is \$1,853,202.00 in Stabilization as of this writing. The Town could completely fund the operating budget via transferring from Stabilization. If this strategy is used, the total left in Stabilization after the SATM will be \$230,292.00. This is not a prudent action to take due to the fact that it would negatively impact our bond rating, and possibly set in motion a path witnessed by neighboring communities leading to further financial constraints. It would also leave the Town without any contingency funds for future budget years. This could be an option, only with an accompanying plan to address future year continuance of the structural deficit.

3. SEEK A PROPOSITION 2 ½ OPERATIONAL OVERRIDE: The prospect of an operational override is looming in the future to address structural deficits in FY2008 and beyond. While I support the need, I do not think that it is prudent to make such a request at this juncture without a plan, especially with a large available balance in Stabilization, the possibility of a large local receipt in FY2008 or FY2009 with the sale of the Route 16/146 parcel, and pressing capital needs that will also require an eventual override or debt exclusion. If the Town's economic condition remains unchanged, and State aid does not increase, an operational override will be unavoidable, but we are opting to reserve it as a future possibility at this point to address deficiencies beyond FY2008.

4. PASS AN UNBALANCED BUDGET AT THE SATM – Suggested Option: The FY2008 budget does not have to be balanced until the tax rate is set, which typically takes place in December. I am proposing to leave the budget unbalanced with an operating deficit of \$1,622,910.00 (assuming that all warrant articles are passed). I also am proposing a spending freeze for the remainder of FY2007 (to maximize 2007 free cash) and until the budget is balanced in FY2008 (in order to have a many options as possible, should the budget have to get cut in the Fall).

Reasons why I am advocating delaying the balanced budget to the Fall or at a Special Town Meeting between July 1 and November is:

- A. To allow staff the necessary time to complete the process of reconciliation and recovery that was started in the Accounting department this year. There have been ongoing issues regarding the reconciliation of various special revenue funds and grants that have hampered our ability to provide timely and accurate reporting. Those issues are being addressed, and we are certain that any remaining issues will be cleared by this summer;
- B. We also would like to see what the final State aid figures; and
- C. How much free cash will be certified for FY2007 (by October), and whether we will receive any increases in local receipts or departmental turn backs that can be applied to the FY2008 budget.

If all receipts remain at forecasted levels, and if free cash does not materialize, we will have to make tough decisions at the Fall Town Meeting, which I will be prepared to recommend. However, at this time (April) I do not think that it is achievable to attempt to raise taxes via an operational override, to fund a budget via expending virtually all of Stabilization, or decimate services via extensive budget

cuts without having all of the facts first. Balancing the budget in the Fall will allow us the time to gather those facts, build consensus, and inform the public of its impact. Again, I understand that Spring approval of an unbalanced budget has been, in the past, rectified in the Fall.

The final resolution to the FY2008 budget may indeed be an operational override, but we must examine the multi-year structural deficit needs. There is also the new high school to be considered, as well as the restoration of the Virginia Blanchard School building. In short, the Town faces significant capital and operational needs in the future, with limited options of funding available. This will continue to be a challenge in future budget years, and staff is also reviewing FY2009 and FY2010 needs for all departments and services, including an impact statement if core services and staffing are reduced.

CONCLUSION

As we move forward with FY2008 budget deliberations, it will become quite clear that we have constructed a lean budget, which offers basic services, without any enhancements, and several impacts mainly among the DPW, Parks, and Public Safety departments.

Again, the initial budget requests, submitted by all departments (municipal and school), amounted to \$37,024,591.00, a 13.28% increase over FY2007 (current year). The Town Manager recommended budget has trimmed the omnibus budget increase to 5.91% increase over FY 2007. Despite these aggressive measures, the FY2008 Budget is still out of balance by \$1,622,910.00.

There will be many options to discuss in coming months. Further cuts may be made that will impact services which have just been revived from the cuts in FY2002. The Town does have funding in Stabilization, but we use it at our own peril. Supporting a budget (or future budget) with one-time revenues such as the Route 16/146 property, or moving funds from Stabilization is a very risky approach. Stabilization and one-time receipts are better used to support capital purchases or one-time purchases.

We will need to examine our local user fees and charges and consider adjusting them in order to expand our local revenue stream. The Governor's budget offers new revenues that we will not profit by extensively, but we are in no position to turn it away. We need to discuss our financial situation with our state delegation in order to have them convey our desperate need to the Governor and the legislature. We may be facing even more potential future loss as the cable deregulation bill approved by the FCC may negatively affect the cable franchise fees that we are currently collecting.

The FY2008 budget makes clear the Town's need to develop a sound strategy to encourage further economic development and retain existing businesses. If local government costs continue to outpace revenue at the rate that we are seeing in the FY2008 budget, we will face the prospect of operational overrides or the destruction of Town and Educational services as experienced by many communities. The Commonwealth does not seem to have the resources to adequately support Town services in future years. It will apparently be up to us to chart our own destiny.

It will not be easy to decide how to resolve the budget deficit for FY2008, be it via an override, Stabilization, service cuts, or a combination of all of these methods. Regardless of the outcome, it is apparent that we cannot continue to offer the level of service we do within the existing limited revenue and expenditure framework. We will obviously need to seek additional revenue sources for FY2009. If that is not requested or approved by the citizenry then we must plan to drastically downsize our operations. We have a short period of time to determine what is at risk and further promote to the general public as to their choices and impact to future years, when voting at Town Meeting.

This was written pre-budget session/summit of 4/28/07

Last, but not least, I want to acknowledge and express sincere appreciation to Town and School staff and the various Boards and Committees for their time and cooperation during this difficult budget process. We continue to provide dedicated and exceptional service in a climate where much growth has occurred, in concert with increased citizenry expectations, and challenged by State and Federal mandates. With only a few more weeks before Town Meeting, I believe that productive conversations may continue and a strategy is not out of reach.

Thank you in advance for your thoughtful consideration.

cc: Town Departments

Att.